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Slain mogul attracted respect and suspicion

By CAROL MATHEWS

COMPANIES founded by Nicholas Deak are seen in drastically different ways by those who had dealings with them and those who have investigated them.

On the one hand, businessmen credit Deak's companies with being "an absolute pioneer" in providing U.S. citizens with foreign currency exchange facilities around the world, and in the selling gold to the American public.

Both activities have since been adopted by many major U.S. banks.

On the other hand, the President's Commission on Organized Crime charges that Deak's companies help drug dealers launder their money, taxpayers escape U.S. taxes and corporations pay bribes without leaving any traces.

Deak was murdered yesterday in his office at Deak & Co., the firm he started in 1939 and which now is in bankruptcy.

He never answered the Crime Commission charges, and some investigators have suggested that his worldwide network of companies were, in reality, used by the Central Intelligence Agency (CIA) to finance its various foreign activities.

It's not likely that the true nature of the business of Deak & Co. and its subsidiaries ever will be known.

Its far flung network of banks and subsidiaries — all of which are privately owned and none of which need to reveal financial information to the public — is breaking up in the wake of the bankruptcy filing.

The firm made the bulk of its money, however, by buying foreign currencies and gold in bulk at a wholesale price and then selling it to individuals at a higher, retail price.

At its height in 1982, Deak & Co.:

- Accounted for 20 percent of the gold sold to U.S. citizens.
- Had 83 offices worldwide, 14 of which were in the U.S.

- Spent \$2 million on ads to promote its services in foreign exchange and gold.

The Deak & Co. empire consisted of several banks: the Foreign Commerce Bank in Switzerland, Deak National Bank in Fleischmann, N.Y. (population 400), an Austrian bank, a subsidiary in the Cayman Islands, and several subsidiaries in Hong

Kong.

None of the above — nor Deak-Perera U.S., the well-known firm that exchanges foreign currency for individuals — were included in the Dec. 6 bankruptcy filing by Deak & Co.

Deak-Perera International Banking Corp. and Deak-Perera Wall Street Inc. — both subsidiaries of Deak & Co. — were included in the bankruptcy, however.

Wall Street analysts say the bankruptcy was triggered by:

- An overambitious expansion plan.
- Failure to adequately monitor operations at the new subsidiaries.
- The continued decline in the price of gold since 1980.
- The difficulty of operating profitably in the foreign exchange market, where relative currency values moved in directions completely contrary to those expected by even the most savvy professional.

The allegations by the Crime Commission of illegal activities only pushed the company over the brink, in the opinion of analysts,

and are not considered the real cause of the firm's bankruptcy.

Deak & Co.'s overextended operations and misjudgment on the direction of currency exchange rates probably had more to do with the firm's bankruptcy, the analysts noted.

Nicholas Deak felt that things were getting out of hand back in 1982.

He said then that: "My biggest problem is holding back my young people from growing too fast. The firm's expertise is in the field of foreign exchange and precious metals, and that is where we want to stay."

Even that expertise was no match for the chaotic currency markets of the past three years and the continued decline in the value of precious metals, leading to bankruptcy shortly after revelations by the Crime Commission of allegedly illegal transactions by the firm.

The charges led customers to withdraw their money from the firm in droves, only adding to the difficulties already being experienced in Deak & Co.'s basic businesses.